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Improving data key to oil firms

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Angus Mordant/Bloomberg

A gas flare burns past a pump jack in the Permian Basin area of Loving County in this 2018 file photo.

Beset by criticisms over everything from their profits to their environmental footprint, the nation's oil and gas producers are seeking every avenue to improve their public standing.

"Oil companies don't have the most credibility as far as data," observed Grant Swartzwelder, president of OTA Environmental Services, during the company's monthly Oilfield Strong webinar Wednesday.

"Yes, it's about our social license to operate," responded Gani Sagingaliyev, co-founder of ESG Dynamics, the April guest for the webinar.

Sagingaliyev added that companies also face regulatory pressures and must work to ensure they have accurate reporting. Doing so alsoi mpacts a company's ability to access capital, he said.

ESG – Environmental, Social and Governance – initiatives are becoming increasingly present in very aspect of what is done in the energy industry, Sagingaliyev said.

The webinar focused on how many companies think they are fully compliant with reporting requirements only to find certain reports have been missed or are inconsistent.

"There's been criticism of the value of the data being reported," Sagingaliyev said, and there have been issues with inconsistency of reports from various agencies. But at the end of the day, he said, it's the best information available on the industry as a whole and companies like ESG Dynamics can help identify inconsistencies and highlight where clients are doing well or not doing well.

In many cases, he said, the inconsistencies or missing reports are not difficult to remedy and mostly stem from simple miscommunication between companies or misunderstanding of specific reporting requirements.

Swartzwelder said he has heard the term "ESGaccretive" in that assets are increasingly being viewed through of lens of how their acquisition could benefit a company's environmental standards or whether an investor can support the deal.

"Companies looking to divest some assets need their ESG to align with that of the buyers," said Sagingaliyev. Traditionally, he said, buyers considering an acquisition looked at how the property would fit their existing holdings, how it would fit with their operating efficiencies and whether they could add value to the asset after its purchase. Today, buyers are looking at how the environmental performance metrics of a property, he said.

"If you are a seller, you need to understand what you can do to get closer to the buyer's performance, what it will take to make the asset more attractive as an acquisition target. Or, if you're a buyer looking for an asset, how to bring that asset up to your existing standards," Sagingaliyev said.

He offered a case study of an analysis done for a client operating in the Eagle Ford that looked at various categories, including flaring, use of fuel gas and production rate reporting.

"I think the (client) was contemplating divestiture, and with that in mind, for potential buyers to look at the asset not only from the technical aspect but how great the asset performs environmentally and is accretive to the whole operations and moves the operations in the right direction," Sagingaliyev said.

Such efforts to ensure proper and reliable data is available and analyzing how assets impact a company's environmental performance highlights an area where the energy industry can clean up its own reporting and data and be more accurate, Swartzwelder said.